SPECIAL FORCES PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1991

Alberta
TREASURY

92-07118/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Special Forces Pension Plan Act, being Chapter S-21.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Special Forces Pension Plan for the fiscal year ended March 31, 1991.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

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Introduction

The Special Forces Pension Plan was established effective April 1, 1979, by the Special Forces Pension Act to provide a contributory pension scheme for police officers employed by Local Authorities in Alberta.

The Special Forces Pension Act was repealed on November 1, 1985, and replaced by the Special Forces Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Special Forces Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Special Forces Pension Plan is a contributory defined benefit plan under which combined employee and employer contributions are required to equal 14 percent of salary. The split in contribution rates between employers and participants is not prescribed by legislation, but is to be negotiated between the Local Authority and the Police Association. The net amount of pension contributions less payments is deposited to or withdrawn from the pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Special Forces Pension Plan.

Those members who retire with at least five years of pensionable service are entitled to a pension. There is no mandatory retirement age. Pension benefits are based on 2 percent of the highest average pensionable earnings for five consecutive years, times the number of years of pensionable service. Pension benefits are subject to a 0.6 percent reduction at age 65, based upon the yearly maximum pensionable earnings under the Canada Pension Plan. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a five year guarantee period. On the death of a pensioner, 65 percent of the pension continues to be paid to an eligible spouse for life or until remarriage. On remarriage, as full settlement, the surviving spouse is paid a lump sum payment equal to 24 monthly pension payments. Single members may elect a single life pension, which ceases at death regardless of the number of payments made. Alternatively they may choose a 10, 15, or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

Normal pensionable age is 60. Members may retire at any time after age 55, if five years of pensionable service have been accumulated, or at any age if at least 25 years of pensionable service have been accrued. The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to 65 percent of the normal pension the member would have been entitled to and in certain cases takes into account the pensionable service that would have accumulated had the member lived to age 60. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Special Forces Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the year under review, the division continued on an active course of automation, computer systems upgrading and procedural improvement. The administration of retirement benefits received particular attention with the redevelopment of the retirement benefit calculations. In addition, pension file tracking was enhanced, better payment controls were implemented and system response time was improved.

The fiscal year 1990–91 saw the trial implementation of a system to provide for direct deposit of contribution remittances. Benefits from this program will allow employers to transfer their monthly remittances directly to Payroll and Pensions through the banking system. An initial group of employers participated in a pilot program to assist Payroll and Pensions in refining the process. Results to date have been very favourable, and it is hoped this feature can be offered to all employers in the next year.

Review and planning for federal and provincial pension reform involved all sections of the Pension Administration.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1990, estimated the accrued liability of the Special Forces Pension Plan to be $498,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 19.3 percent.

Participation

At March 31, 1991, there were nine employers participating in the Special Forces Pension Plan, 2,615 active contributors, and 53 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The Special Forces Pension Plan has an agreement with the Local Authorities Pension Plan under which pensionable service and contributions accumulated may be transferred between the two plans.

During the year, the sum of $165,213 was transferred from the Local Authorities Plan to the Special Forces Plan. This transfer is not reflected in the Statement of Receipts and Payments.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1991:

	Participants At March 31, 1991	Contributions Received		
		Employee $	Employer $	Total $
City of Calgary	1,264	3,798,439	4,267,291	8,065,730
City of Camrose	21	57,942	66,900	124,842
City of Edmonton	1,110	3,508,643	3,987,604	7,496,247
City of Lethbridge	109	320,146	369,814	689,960
City of Medicine Hat	75	238,082	270,221	508,303
Town of Coaldale	7	15,436	18,068	33,504
Town of Lacombe	10	26,527	26,877	53,404
Town of Redcliff	9	22,337	26,695	49,032
Town of Taber	10	19,291	24,140	43,431
Accounts Held on Deposit	53	–	–	–
	2,668	8,006,843	9,057,610	17,064,453

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, one refund of excess contributions totalling $1,268 was made during the year.

	Number	Amount $
Cash	3	111,939
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	25	549,315
	28	661,254

Death in Service Benefits

In the current year, one member died while in service. A lump sum benefit was paid in respect of this death.

Information and Counselling Services

Payroll and Pensions Division presented two information seminars to employees during the year. The average attendance for each seminar was 30.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to all active participants in the plan.

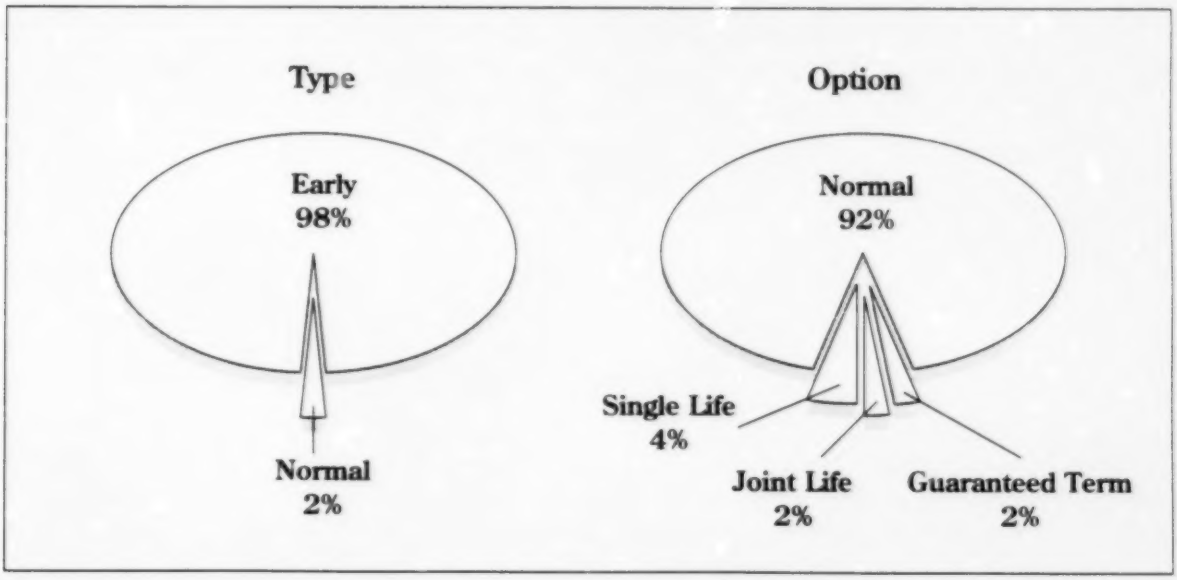
Pension Benefits

During the year ended March 31, 1991, pension benefits paid totalled $13,402,888; an increase of $1,988,394 (17.4 percent) over the previous year. A total of 53 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1991		1990	
Normal Retirement	–		1	(1)
Early Retirement	52	(33)	57	(43)
Partial or Total Disability	1		–	
	53	(33)	58	(44)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:

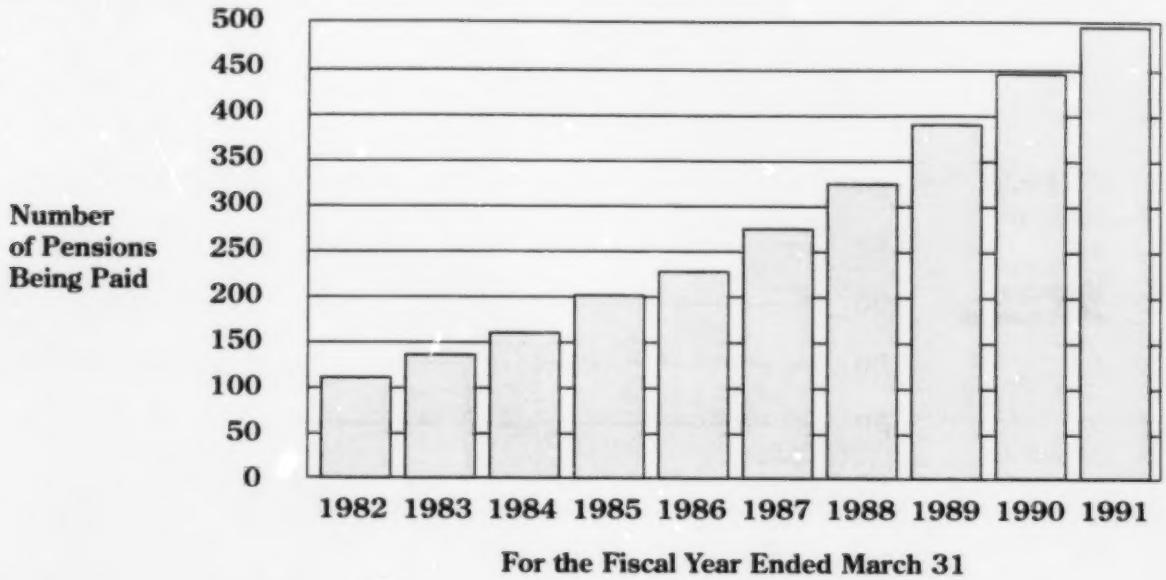


Pension options selected by members were as follows:

	At April 1, 1990	New Retirements	Beneficiaries	Deaths	At March 31, 1991
Member Pensions					
Normal (see note below)	416	49		(2)	463
Single Life	2	2			4
Guaranteed 10 years	1				1
Guaranteed 15 years	3	1			4
Guaranteed 20 years	5		1	(1)	5
Joint Life non-reduced	1	1			2
Spousal Pensions					
Guaranteed 5 years	16	—	—	—	16
Total Pensions	444	53	1	(3)	495
Pensions Co-ordinated with CPP and/or OAS	384	33	1	(3)	415

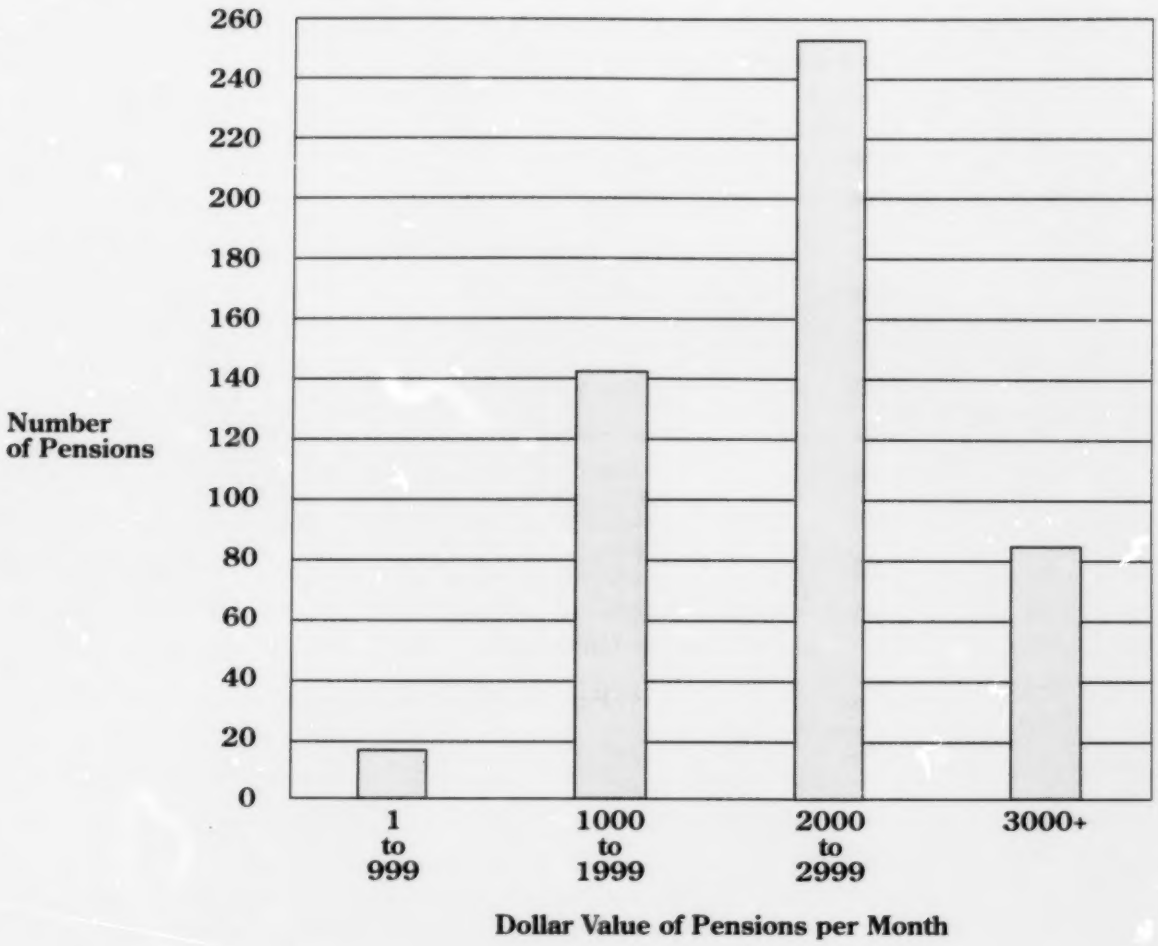
Note: The normal member pension is guaranteed to be paid for a period of at least five years and in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 65 percent of the deceased retiree's pension for life or until remarriage, as explained in the section on plan overview.

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule below and the graph on the following page categorize the pensions in effect at March 31, 1991, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 to 999	15	1	16
1,000 to 1,999	129	13	142
2,000 to 2,999	251	2	253
3,000 and over	84	–	84
	479	16	495



Effective January 1, 1991, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1990.

Statement Of Receipts and Payments
Year Ended March 31, 1991

	1991 $	1990 $
RECEIPTS		
Employee contributions	8,006,843	7,664,572
Employer contributions	9,057,610	8,579,498
Interest on overdue receivables	38	218
Total Receipts	17,064,491	16,244,288
PAYMENTS		
Benefits		
Pensions to retired members	13,091,843	11,103,106
Pensions to surviving spouses	281,134	263,249
Lump sums to beneficiaries of deceased employees	29,911	48,139
	13,402,888	11,414,494
Withdrawals		
Refunds of contributions and interest to terminated members	661,254	907,148
Refunds of excess contributions	1,268	109
	662,522	907,257
Total Payments	14,065,410	12,321,751
Excess of Receipts over Payments	2,999,081	3,922,537

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee $	Employer $	Total $	Benefits $	With-drawals $	Total $	$
1990/91	8,007	9,058	17,065	13,403	663	14,066	2,999
1989/90	7,665	8,579	16,244	11,414	907	12,321	3,923
1988/89	7,213	8,106	15,319	9,493	669	10,162	5,157
1987/88	7,042	8,010	15,052	7,461	663	8,124	6,928
1986/87	6,915	7,733	14,648	5,988	388	6,376	8,272